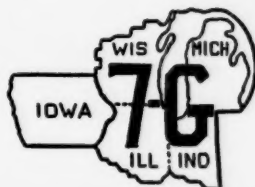


# BUSINESS CONDITIONS

SEVENTH  
FEDERAL



RESERVE  
DISTRICT

Volume 20, No. 8

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## DISTRICT SUMMARY

AS is usual in midsummer, manufacturing and trade in the Seventh Federal Reserve district showed a declining trend in July, although activity in the majority of reporting groups exceeded that in the month last year when it was at a comparatively high level for the season. Most crop prospects on August 1 remained good and had improved over a month earlier.

Steel furnished an exception to the slowing-down in industrial activity, as mill operations were maintained at a high level through the middle of August. Building construction, output of automobiles, and shipments and production of steel and malleable castings, of stoves and furnaces, and of furniture recorded recessions in July from a month previous. In the last-named industry July orders booked, which reflect the results of the summer furniture mart, failed to expand as much this year as is customary. The building materials trade recorded a heavier movement of lumber and cement than in June but lighter brick shipments. A small increase took place during July in total industrial employment in the district, while payrolls showed some decline.

There was an exceptionally light volume of packing-house commodities produced in July and the tonnage distributed, though considerably larger than production, declined from June; because of sharply higher prices the dollar value of sales increased. Output of butter in the district and of Wisconsin cheese was likewise smaller than in the preceding month. July wheat receipts at interior

primary markets were unusually heavy, and visible supplies of the grain in mid-August showed a marked accumulation over a month earlier. The corn movement, however, fell off nonseasonally in July, and the visible supply remained much below the 1927-36 average as did that of oats, although July receipts of the latter grain rose sharply over June. Outlook for the Seventh district corn crop was above average in mid-August. Fall plowing had begun by that date.

Seasonal trends prevailed during July in the merchandising of commodities in the Seventh district as reporting wholesale trade groups, except groceries, recorded recessions in business from a month previous and department store sales, the retail shoe trade, and the retail furniture trade fell off. All groups except groceries, however, had a heavier volume of sales than a year ago.

Owing to a larger volume of loans and of investments in obligations fully guaranteed by the United States Government, total loans and investments of reporting member banks in the district increased 35 million dollars between July 14 and August 18; demand and time deposits in these banks showed little change. Reserve balances at this bank of all member banks in the district declined  $16\frac{1}{2}$  millions in the period. Continued expansion took place during July in dealer sales of commercial paper; new financing through bankers' acceptances rose seasonally in the month but remained much below average. July activity in the midwest bond market was light.

## Credit and Finance

The decline of almost  $16\frac{1}{2}$  million dollars between July 14 and August 18 in reserve balances of Seventh district member banks was brought about chiefly by a heavy excess of Treasury receipts over disbursements amounting to 42 million dollars, together with a decrease in reserve bank credit extended of about  $6\frac{1}{2}$  million dollars and a growth in money circulation of almost 3 millions. Partially offsetting these factors was a  $34\frac{1}{2}$  million dollar gain in funds through commercial and financial transactions with other districts. Tax and revenue collections, plus R.F.C. note sales, comprised the chief items in Treasury receipts; the issuance of Treasury bills and a call on War Loan account were offset by security and coupon redemptions. Shifts in interbank balances from New York to Chicago again bol-

stered the gain in funds through interdistrict commercial and financial transactions.

So little change was noted from mid-July to mid-August in reported prevailing interest rates charged customers by the larger Chicago and Detroit banks that no discernible trend could be established, except for some firming in rates on commodity paper loans among Chicago "loop" banks and on prime commercial and time collateral loans among outlying Chicago banks. The July average rate earned on total loans and discounts by selected downtown Chicago banks was 2.67 per cent—a slight decline from the 2.69 per cent earned in June. Major Detroit banks reported a more pronounced softening, the average falling from 2.76 in June to 2.68 per cent in July. The rediscount rate of the Federal Reserve Bank of Chicago, which had been 2 per cent since January 19, 1935, was lowered to  $1\frac{1}{2}$  per cent on August 21.

# TRANSIT OPERATIONS OF THE FEDERAL RESERVE BANK OF CHICAGO AND DETROIT BRANCH

(Exclusive of Treasury checks and of non-transit items drawn on own bank)

	July 1937	July 1936
Total country and city check clearings:		
Pieces.....	10,958,065	10,466,477
Amount.....	\$2,287,711,561	\$2,070,170,927*
Daily average clearings:		
Total items cleared—		
Pieces.....	421,464	402,557
Amount.....	\$87,988,906	\$79,621,959*
Items drawn on Chicago—		
Pieces.....	70,291	69,213
Amount.....	\$45,006,000	\$41,014,000*
Items drawn on Detroit—		
Pieces.....	20,927	22,796
Amount.....	\$10,972,666	\$9,752,767

\*Revised figures.

Sales of commercial paper by midwestern dealers increased more than seasonally in July, being 29 per cent larger than in June, and totaled 78½ per cent heavier than a year earlier and 18 per cent above the 1927-36 July average. Outstandings on July 31 aggregated 27½ per cent more than either the June 30 amount or the ten-year average for the end of July. Sales were in excess of those for any month since September 1930 and outstandings the highest since January 1931. Because of a seasonal decline in borrowing, sales by Chicago houses in the first half of August failed to continue the growth experienced in July. No change was reported in rates to mid-August, with the bulk of the paper still moving at 1 per cent and the demand continuing strong in relation to supply.

The volume of acceptances created in July by Seventh district accepting banks rose seasonally 25 per cent above the June amount, but was 30 per cent less than in July 1936 and only one-third of the 1927-36 average for the month. Several larger Chicago banks report an increase of almost 50 per cent in new financing for the first half of August as compared with the corresponding July period. Bank holdings of acceptances on July 31 totaled 19½ per cent smaller than at the end of June, and the liability for outstandings was again the lowest for any month since this bank started collecting acceptance data in 1923. Accepting banks discounted 11 per cent more of their own acceptances during July than in June, but bought few bills from others and sold none of their holdings. The Chicago open-bill market remained very inactive, with no reported change in the nominal rates quoted.

According to advices from midwestern bond dealers the month of July and the first part of August saw practically a featureless bond market, although prices of high-grade securities continued their firming tendency after the low points of June. Municipal and second-grade utility bonds exhibited considerable strength; on the other hand, second-grade rails were a drag on the market averages. Limited

## FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions)

	August 18 1937	Change from July 14 1937	August 19 1936
Total bills and securities.....	\$279.6	\$ -0.3	\$ -11.7
Bills discounted.....	0.0	-0.2	0.0
Bills bought.....	0.4	0.0	0.0
U. S. Government securities.....	278.4	0.0	-10.7
Total reserves.....	1,771.6	+4.3	+96.1
Member bank reserve deposits.....	986.9	-16.5	+13.5
All other deposits.....	54.1	+15.1	+14.8
Federal Reserve notes in circulation..	975.1	-1.3	+58.3
Ratio of total reserves to deposit and Federal Reserve note liabilities combined.....	87.8 %	+0.3*	+1.0*

\*Number of Points.

buying and very light trading activity prevailed in the still predominantly institutional market, and the volume of new corporate offerings in July was at a low ebb. Buyers on the whole were not inclined to relinquish their cautious, waiting attitude toward bond purchases. The discount on 273-day Treasury bills dated August 25 was higher than for any week since June 30, the bills being issued at an average rate of .524 per cent. Chicago Stock Exchange prices, as reflected by the Chicago Journal of Commerce average, continued well above their June lows. The average on August 21 was \$61.50, compared with the year's low of \$54.05 on June 29 and the recovery high of \$68.97 attained February 13.

## Agricultural Products

Seventh district prospects for most crops had increased slightly on August 1 over the beginning of July but those of wheat, barley, hay, flaxseed, and tobacco had declined. Corn in northern and western Iowa, northern Illinois, and northwestern Indiana suffered some deterioration from extreme heat and lack of adequate moisture during early August; rainfall and a moderation of temperatures had definitely checked the decline in condition over large areas by August 17. The outlook for the crop on that date was above average, with general condition and development fair to excellent, a good showing of ears, much of the grain in the roasting to hard dough stage, and with the earliest already denting. Rain was badly needed in Wisconsin. The threshing of small grains in the district was nearing completion by August 17; early returns showed good yields generally but light-weight kernels because of rust damage in many sections. Oats seem to have suffered less deterioration from this cause than other grains. Prospects for potatoes and other garden truck ranged from good to excellent. However, locally tomatoes suffered some damage from the heat and the outlook for potatoes in parts of Wisconsin was rather poor. Pastures averaged good in Michigan but remained short and rather brown over fairly large areas elsewhere. Plowing had begun by mid-August. Fewer cattle were being fed for market than a year earlier.

## GRAIN MARKETING

Owing to an exceptionally heavy early movement of the 1937 crop from farms, wheat receipts at interior primary markets in the United States rose more sharply in July over June this year than is usual; they totaled not only

## CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

ASSETS	August 18 1937	Change from July 14 1937	August 19 1936
Loans and investments—total.....	\$3,085	\$ +35	\$ +78
Loans—total.....	1,031	+32	+106
Commercial, industrial, and agricultural loans:			
On securities.....	49	0	..*
Otherwise secured and unsecured.....	581	+26	..*
Open-market paper.....	54	+3	..*
Loans to brokers and dealers in securities	61	+5	+13
Other loans for purchasing or carrying securities.....	92	-1	..*
Real estate loans.....	82	+1	+13
Loans to banks.....	6	-1	-3
Other loans:			
On securities.....	47	+1	..*
Otherwise secured and unsecured.....	59	-2	..*
U. S. Government direct obligations.....	1,442	-4	-132
Obligations fully guaranteed by U.S.Govt.	187	+13	+35
Other securities.....	425	-6	+9
LIABILITIES			
Demand deposits—adjusted.....	2,267	+4	+39
Time deposits.....	862	-4	+46
Borrowings.....	0	0	0

\*Not Available.

greater than for any month since this bank began collecting the data in 1921 but also 66 per cent larger than the 1927-36 average for the period. Reshipments were considerably under current receipts, although exports of the grain exceeded imports for the first time since August 1934. Visible supplies of wheat in the United States showed a marked accumulation on August 14 over a month earlier, despite a tapering-off in receipts after the close of July; these stocks were at the highest level since October 6, 1934, and within 11 per cent of the 1927-36 average for the date. Influenced by heavier than normal receipts at United States terminals, prospects of a slightly larger world production than a year ago, weakness at Winnipeg, and a lack of substantial buying interest, prices of No. 2 hard winter wheat for immediate delivery at Chicago, under pressure of long-liquidation and hedge selling, declined from \$1.31½ and \$1.34¾ on July 17 to \$1.08½ and \$1.12¾ on August 21.

Corn receipts and shipments at United States terminal markets fell off nonseasonally in July from a month earlier, and remained under the corresponding period of 1936 during the first half of August. Importations of the grain continued in substantial volume. The United States visible supply of corn increased more than customarily on August 14 over the preceding month but was 68½ per cent under the 1927-36 average for the date. Prices of No. 2 yellow corn declined from \$1.27½ and \$1.31¾ on July 13 to \$.96¾ and \$1.01¾ on July 30 and were at \$1.00 and \$1.02¾ on August 21. December futures ranged from 35½ to 37¼ cents under cash positions. Receipts of oats at interior primary markets in the United States rose sharply in July over June to the highest level since last August, but reshipments were below those of any month subsequent to September 1936. Both volumes showed an increase in the first half of August over a year ago. Visible supplies of oats in the United States gained more than seasonally on August 14 over mid-July but were only half as large as the 1927-36 average for the date. Prices followed the general trend of other grains.

#### MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES (In thousands of bushels)

	July 1937	June 1937	July 1936	July 1927-36 Av.
Wheat:				
Receipts.....	113,378	21,330	83,422	68,303
Shipments.....	28,413	11,466	27,725	30,637
Corn:				
Receipts.....	10,120	12,200	16,779	19,904
Shipments.....	4,661	4,927	11,476	12,920
Oats:				
Receipts.....	8,070	2,956	17,502	8,815
Shipments.....	3,824	4,997	4,665	5,473

#### MOVEMENT OF LIVESTOCK

The marketing of livestock in the United States was in limited volume during July. Hog receipts at public stockyards totaled less than in any month for which records are available to January 1915, and those of cattle declined counterseasonally from June to a level under last July and

the 1927-36 average for the period. Moreover, calf marketings were the smallest since February and lamb receipts gained less than seasonally during the month. The number of lambs was under last July and continued less than the ten-year average; on the other hand, the volume of calves increased slightly in these comparisons. With the following exceptions, the movement to inspected slaughter—inclusive of animals that did not pass through public stockyards—followed the general trend of market receipts: the slaughter supply of hogs had been smaller during September of 1935 and 1917 than in July 1937; that of lambs increased over a year ago and the ten-year average for the period but declined from this June; the movement of cattle slightly exceeded the 1927-36 average; and the number of calves aggregated less than a year ago.

#### MEAT PACKING

July 1937 production of packing-house commodities at inspected slaughtering establishments in the United States was among the lightest in the more than fifteen years for which this bank has records, and distribution of these commodities was the smallest since February. The volume of production fell off 11 per cent from June to a level 26½ per cent under a year ago and 25 per cent below the 1927-36 average for the month; moreover, it aggregated only slightly larger than the fifteen-year lows obtaining in June, July, and September of 1935. The tonnage sold decreased 7 per cent in July from the preceding period, 10½ per cent from the ten-year average, and 9½ per cent from last July, but exceeded current production by more than 20 per cent. However, with the accompanying sharp advance in prices during the month under review, dollar sales billed to domestic and foreign customers aggregated 3½ per cent greater than in June, and were not only 12½ per cent larger than a year ago but also 19 per cent above the 1927-36 July average. Inventories of these commodities in the United States declined 160 million pounds on August 1 from the beginning of July to a point nearly 12 per cent below the 1927-36 average for the date, and were but 73 million pounds heavier than on August 1, 1936. At the

#### CROP PRODUCTION

Estimated by the United States Bureau of Agricultural Economics on the basis of August 1 condition

(In thousands of bushels unless otherwise specified)

	Seventh District			United States		
	Forecast 1937	Final 1936	Average 1928-32	Forecast 1937	Final 1936	Average 1928-32
Corn.....	1,043,338	548,775	921,374	2,658,748	1,529,327	2,554,772
Oats.....	514,933	366,027	533,780	1,130,628	789,100	1,215,102
Winter Wheat...	79,424	62,177	54,737	688,145	519,013	623,220
Spring Wheat...	1,833	2,212	4,522	202,274	107,448	241,312
Barley.....	42,715a	31,612a	59,082a	227,398	147,452	281,237
Rye.....	12,511a	6,822a	6,727a	51,869	25,554	38,212
Buckwheat.....	736a	471a	794a	7,007	6,218	8,277
Flaxseed.....	200b	180b	295b	8,014	5,908	15,996
Potatoes (white)...	58,603	47,442	53,937	402,537	329,997	372,115
Potatoes (sweet)...	1,345c	845c	1,207c	73,989	64,144	66,368
Sugar Beets¹.....	646d	867d	612d	9,158	9,028	8,118
Apples (total crop)...	28,633a	12,990a	17,101a	202,274	117,506	164,355
Peaches.....	5,358e	2,001e	3,989e	59,018	47,650	57,293
Pears.....	3,143e	1,855e	1,594e	30,388	26,956	24,334
Cherries¹.....	53f	32f	35f	144g	115g	117g
Grapes¹.....	84a	49a	85a	2,517	1,916	2,214
Beans (dry edible)².....	3,585f	2,668f	3,665f	13,483	11,122	12,181
Onions².....	2,469a	3,649a	3,264a	14,864	17,227	13,254
Tomatoes for mkt....	1,628e	1,127e	1,312e	20,703a	19,516a	16,403a
Canning Crops:						
Snap Beans¹.....	24i	14i	15i	105	77	73
Sweet Corn¹.....	547a	229a	316a	1,096	607	628
Tomatoes¹.....	575e	420e	300e	2,192	1,988	1,293
Tobacco³.....	24,473	18,880	47,729	1,417,015	1,153,083	1,427,174
All Tame Hay¹.....	15,702	14,054	15,379	74,904	63,309	70,146
Wild Hay¹.....	592a	513a	498a	9,993	6,915	10,719
Cotton¹.....				15,593	12,399	

¹In thousands of tons. ²In thousands of 100-lb. bags. ³In thousands of pounds.  
 ⁴In thousands of 500-lb. bales. a—Five States including Seventh Federal Reserve district. b—Iowa, Wisconsin, and Michigan. c—Illinois, Indiana, and Iowa. d—Michigan. e—Michigan, Illinois, Indiana, and Iowa. f—Michigan and Wisconsin. g—Twelve States only. h—Excluding southern district of California. i—Indiana, Michigan, and Wisconsin.

#### VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions)

	July 1937	June 1937	July 1936	Per Cent of Increase or Decrease from
Chicago.....	\$3,146	+0.5	+5.6	
Detroit.....	986	-4.7	+11.5	
Milwaukee.....	304	+4.1	+8.6	
Indianapolis.....	222	+5.5	+10.5	
Total four larger cities.....	\$4,658	-0.2	+7.2	
37 smaller cities.....	815	-0.8	+5.1	
Total 41 centers.....	\$5,473	-0.3	+6.9	



close of July, payrolls showed the first decline in number of workers and in hours of employment thus far recorded in 1937 from a year earlier, and wage payments increased only 10 per cent in the comparison. Employees and hours declined from June by 4 per cent each and wage payments by 6 per cent.

Shipments for export remained relatively light in July, principally owing to the fact that forwardings to the United Kingdom continued on a limited basis as supplies were required largely for domestic purposes in the United States and because prices obtainable in most foreign markets were somewhat below current replacement costs. British demand for United States lard and hams improved but quotations ruled about one cent under Chicago parity. Trade in United States lard continued fair to good in Cuba at prices equal to the United States basis, but it tended to decline in Porto Rico as quotations advanced. Continental demand for packing-house commodities from the United States remained negligible. United States inventories of packing-house products in foreign markets—inclusive of stocks in transit—had decreased further by August 1. Following the marked recession in June, imports of animal commodities into the United States expanded again in July.

#### DAIRY PRODUCTS

Trends in the dairy industry were mostly seasonal in July. The production of creamery butter in the Seventh Federal Reserve district declined 12 per cent from June and was  $8\frac{1}{2}$  per cent under the 1927-36 average for the month, but exceeded that of a year ago by 16 per cent. The tonnage sold in the area aggregated  $20\frac{1}{2}$  per cent greater than last July and 2 per cent larger than the ten-year average, although it declined 7 per cent from June. Manufacture of the commodity in the United States was nearly equal to the 1927-36 July average; changes from June and a year ago, however, approximated those in the Seventh district. Inventories of creamery butter in the United States rose slightly more than seasonally on August 1 over the beginning of July, and were within 533,000 pounds of the 1932-36 average for the date. Prices advanced in July over a month earlier and continued to strengthen during the first three weeks of August.

American cheese production in Wisconsin declined  $13\frac{1}{2}$  per cent in July from June, and was 4 per cent under a year ago and the 1927-36 average for the month. Distribution of the commodity from primary centers of the State decreased in all three comparisons and was under current production. Total inventories of cheese in the United States accumulated less than seasonally on August 1 over July 1 but were one-fourth greater than the preceding five-year average for the date. Quotations strengthened in July and

recorded some further rise during the first three weeks of August.

#### Industrial Employment Conditions

Aggregate volumes of employment and payrolls in Seventh district industries showed an unusually favorable trend for the June to July period, employment increasing counterseasonally and payrolls registering a smaller than customary decline. The increase in the number of workers amounted to a little less than one-half per cent, or about 7,000 persons out of a total of  $1\frac{1}{2}$  millions covered by the reports, while weekly wage disbursements of approximately \$45,000,000 were reduced by one per cent. These changes compare with losses in the June to July average for the ten years preceding of one per cent in employment and 5 per cent in payrolls. Holidays and vacations as well as the closing of many plants for the taking of inventories are generally responsible for the sharp recession, especially in payrolls, that is common to this month. While the aggregate changes during the current period were of moderate proportions, there was considerable variation as between the individual industries. Within the durable goods classification, metals, stone-clay-and-glass, and wood products showed a moderate rise in their employment volumes, which gains were offset, however, by a  $2\frac{1}{2}$  per cent loss in the vehicles group. All of these groups recorded declines in wage payments, but they were unusually low especially in the metal industries where a loss of one-half per cent compared with an average reduction of as much as 8 per cent. Nondurable industry groups followed more closely a seasonal trend, with a sharp curtailment of both employment and payrolls in textiles and a marked advance in both of these items in food products. The latter group was the only one within the manufacturing classification to show an increase in payrolls during the June to July period. Two non-manufacturing industries, however, contributed to such a rise, public utilities showing an increase of one-half per cent and the construction industries a gain of 19 per cent. Losses in merchandising and in coal mining practically offset these advances and the classification as a whole registered little change in either employment or payrolls.

#### EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of July 15, 1937			Change from June 15, 1937	
	Reporting Firms	Wage Earners	Earnings (000 Omitted)	Wage Earners %	Earnings %
	No.	No.	\$	%	%
<b>DURABLE GOODS:</b>					
Metals and Products <sup>1</sup> ..	1,546	489,108	14,151	+2.4	-0.4
Vehicles.....	363	436,978	14,261	-2.4	-1.0
Stone, Clay, and Glass.	256	23,410	580	+1.2	-2.6
Wood Products.....	418	50,263	1,047	+1.2	-3.9
Total.....	2,583	999,759	30,039	+0.2	-0.9
<b>NON-DURABLE GOODS:</b>					
Textiles and Products..	352	61,586	1,133	-3.4	-6.9
Food and Products.....	756	116,684	3,000	+7.5	+3.4
Chemical Products.....	264	32,188	912	-0.3	-2.3
Leather Products.....	130	26,468	544	-0.9	-2.4
Rubber Products.....	32	20,427	541	+1.7	-4.0
Paper and Printing.....	616	79,568	2,250	+0.0	-4.0
Total.....	2,150	336,921	8,380	+1.8	-1.6
<b>Total Mfg., 10 Groups...</b>	<b>4,733</b>	<b>1,336,680</b>	<b>38,419</b>	<b>+0.6</b>	<b>-1.0</b>
Merchandising <sup>2</sup> .....	3,363	120,845	2,689	-2.8	-1.9
Public Utilities.....	691	94,934	3,254	+1.0	+0.5
Coal Mining.....	24	1,512	42	-23.2	-28.9
Construction.....	324	15,399	407	+17.1	+19.1
<b>Total Non-Mfg., 4 Groups</b>	<b>4,402</b>	<b>232,690</b>	<b>6,392</b>	<b>-0.3</b>	<b>+0.2</b>
<b>Total, 14 Groups.....</b>	<b>9,135</b>	<b>1,569,370</b>	<b>44,811</b>	<b>+0.4</b>	<b>-0.9</b>

<sup>1</sup>Other than Vehicles.

<sup>2</sup>Illinois, Indiana, and Wisconsin.

#### LIVESTOCK SLAUGHTER

(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
<b>Yards in Seventh District,</b>				
July 1937.....	151	280	209	70
<b>Federally Inspected Slaughter,</b>				
<b>United States:</b>				
July 1937.....	790	1,643	1,390	520
June 1937.....	840	2,110	1,425	579
July 1936.....	928	2,692	1,352	523

#### AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	Week Ended August 21 1937	July 1937	Months of June 1937	July 1936
<b>Native Beef Steers (average).....</b>	<b>\$13.90</b>	<b>\$13.95</b>	<b>\$12.00</b>	<b>\$8.15</b>
<b>Fat Cows and Heifers.....</b>	<b>8.85</b>	<b>9.70</b>	<b>9.15</b>	<b>6.45</b>
<b>Calves.....</b>	<b>9.75</b>	<b>9.50</b>	<b>8.85</b>	<b>7.40</b>
<b>Hogs (bulk of sales).....</b>	<b>11.80</b>	<b>11.65</b>	<b>11.10</b>	<b>9.70</b>
<b>Lambs.....</b>	<b>10.50</b>	<b>10.70</b>	<b>11.90</b>	<b>9.45</b>

## Petroleum Refining

During the week ended August 14 petroleum refineries located in the Indiana, Illinois, and Kentucky area were operating at 90½ per cent of capacity, as compared with a rate of 83 per cent for the entire country. These rates represent a noticeable drop from the percentage of capacity operated a month earlier. In this territory, which is covered largely by the Seventh Federal Reserve district, daily average crude runs to stills in July aggregated 9½ per cent more than in the same month last year, but only approximately equaled those of June. Average gasoline production in June exceeded that for May by 3 per cent and the year-ago average by 11½ per cent. During the first seven months of 1937 crude runs in the area totaled about 12½ per cent higher than in the same months of 1936; gasoline production for the first half of 1937 was 14½ per cent greater in volume than in the first six months of last year.

## Manufacturing

### AUTOMOBILE PRODUCTION AND DISTRIBUTION

Continued seasonal curtailment of operations took place in July at automobile factories in the United States, as some plants completed production of 1937 models and prepared for the change-over to 1938 models and others closed temporarily for taking of inventory. Output of passenger vehicles in the month numbered 360,275, representing a drop of 12 per cent from the preceding month, and failed to equal the July 1936 volume by 3 per cent. There were 78,559 trucks produced in the current period, or 9 per cent fewer than a month earlier and 14 per cent more than a year ago.

Sales of new automobiles to users by reporting dealers in this district showed some further decline in July but exceeded those in the month last year when a rather sharp recession had been recorded. The number of cars sold at wholesale by representative distributors totaled greater than in June and considerably above the volume sold in July a year ago. Stocks of new cars in dealers' hands increased between the close of June and July 31, but continued lower than in 1936. Declines from both a month and a year earlier were shown during July in sales of used cars; stocks decreased a little further but remained heavier than a year ago.

### IRON AND STEEL PRODUCTS

Activity in the steel industry of the Chicago district continued at a steady level from the middle of July through

mid-August, and steel ingot output at the latter time was averaging around 86 per cent of capacity as compared with 84½ per cent a month earlier. The volume of incoming business, however, did not equal production or shipments in the period, so that backlogs have been reduced to a noticeable extent, although deliveries remain extended on certain commodities. Orders from the automobile industry for new-model production had not been received in any great amount to mid-August. Pig iron production in the Illinois and Indiana district again expanded moderately in July, following a reduction in June, and substantially exceeded output for any previous July since 1929. Prices of iron and steel scrap at Chicago continued to rise through the early part of August, but owing to an excess supply, No. 1 steel scrap declined in the second week of the month.

The volume of orders booked by Seventh district foundries during July was heavier than in either of the two preceding months, tonnages exceeding those of May by approximately 30 per cent in steel and 10 per cent in malleable castings. May and June were the low points of the year to date in the volume of new business received at reporting foundries. Shipments and production declined during the current month: steel foundries showed a drop of 12 per cent from the preceding month in each of these items, and malleable foundries losses of 27 and 20 per cent, respectively. Except for bookings of steel castings, which were 47 per cent smaller in tonnage and 29 per cent lower in dollar value, all items registered increases over a year ago. In production, steel castings exceeded the volume of last July by 21 per cent, while malleable castings showed an increase of only 6 per cent in the comparison.

The manufacture of stoves and furnaces continued to decline in July, the recession from the preceding month amounting to 27 per cent in orders, 14 per cent in shipments, and 24 per cent in production. Orders and shipments were also below those of a year ago, but molding-room operations still showed a favorable margin in this comparison. Inventories increased 12 per cent during the current period and totaled 90 per cent heavier than at the close of July 1936.

### FURNITURE

Data for July, which reflect the results of the midsummer furniture mart, indicate that orders booked in the period by reporting furniture manufacturers of the district failed this year to show as much expansion as usual. The dollar volume of such orders exceeded that of a month previous by only 34 per cent, whereas the 1927-36 average rise for July is better than 60 per cent. Furthermore, bookings were 2 per cent under those of July last year, the

### MIDWEST DISTRIBUTION OF AUTOMOBILES

	July 1937 Per Cent Change from		Companies Included
	June 1937	July 1936	
<b>New Cars:</b>			
Wholesale—			
Number Sold.....	+5.1	+87.9	15
Value.....	+7.0	+82.2	15
Retail—			
Number Sold.....	-5.2	+3.8	25
Value.....	-6.9	+9.7	25
On Hand End of Month—			
Number.....	+14.9	-11.8	25
Value.....	+14.6	-2.3	25
<b>Used Cars:</b>			
Number Sold.....	-6.5	-7.7	25
Salable on Hand—			
Number.....	-3.5	+8.6	25
Value.....	-4.3	+19.3	25

### LUMBER AND BUILDING MATERIALS TRADE

Class of Trade	July 1937 Per Cent Change from		Number of Firms or Yards
	June 1937	July 1936	
<b>Wholesale Lumber:</b>			
Sales in Dollars.....	+6.7	+35.1	8
Sales in Board Feet.....	+17.7	+20.7	6
Accounts Outstanding.....	+7.3	+23.3	8
<b>Retail Building Materials:</b>			
Total Sales in Dollars.....	-5.2	+13.5	161
Lumber Sales in Dollars.....	+14.9	+38.9	79
Lumber Sales in Board Feet.....	+5.9	+21.1	88
Accounts Outstanding.....	+3.6	+11.4	158
Ratio of Accounts Outstanding <sup>1</sup> to Total Dollar Sales during Month			
	July 1937	June 1937	July 1936
Wholesale Trade.....	141.7	141.0	155.3
Retail Trade.....	237.7	217.4	254.3

<sup>1</sup>End of Month.

decline being the first in the yearly comparison since September 1934. Shipments in July fell off 13 per cent from June, which decrease compares with one of but 2 per cent in the ten-year average for the period, and they totaled only 7 per cent above those of last July. However, both shipments and new orders continued at a level above the 1927-36 average by 23 and 11 per cent, respectively. Although unfilled orders rose 27 per cent between the close of June and July 31, their ratio to new orders declined from 130 per cent in June to 123 per cent in the current period; as compared with the corresponding date in 1936, orders on hand were 28 per cent greater this year and their ratio to new orders 40 points higher. Production was further curtailed in July, the rate of operations for the month averaging less than 75 per cent of capacity though about 5 points above that for July a year ago.

## Building Materials, Construction Work

In contrast to the usual dullness prevailing during July, the distribution of lumber within the Seventh district, both at wholesale and at retail, was heavier in the month this year than in June. Sales in board-foot volume by wholesale and manufacturing concerns aggregated 18 per cent larger than a month earlier, as against a recession of 7 per cent in the 1927-36 average June to July movement. Lumber sales at retail likewise expanded, the rise of 6 per cent contrasting with a drop of 10 per cent in the average for the ten years preceding. Total sales of materials at reporting retail yards, however, followed a seasonal trend during the month, with the decline of 5 per cent slightly less than that of  $7\frac{1}{2}$  per cent recorded in the average for July. Both wholesale and retail dealers of lumber reported sales in excess of the corresponding month a year ago; the increases were more marked than in recent months and also more substantial in dollar than in board-foot volumes. The latter difference can at least partially be ascribed to the advance in prices that has taken place during the past year. Outstanding accounts were heavier at the close of July than a month earlier, and their ratio to the monthly sales volume was likewise larger than at the close of June in the retail phase of distribution though little changed at wholesale. Shipments of cement into the Seventh district territory, as usual during July, totaled moderately above the level of the preceding month, while brick deliveries, according to preliminary reports, were somewhat lower. The movement of both brick and cement continued heavier than a year ago but remained considerably below the 1927-36 average.

### BUILDING CONSTRUCTION

Following an exceptionally large volume in June, building construction in the Seventh Federal Reserve district fell off somewhat in July. Contracts awarded declined 5 per cent in the aggregate from the preceding month, with residential building showing a recession of 10 per cent and amounting to only 28 per cent of the total as against 30 per

cent in June. As compared with a year ago, however, activity in the building industry continued to be greater in the current period and with the exception of June was the heaviest since last August.

### BUILDING CONTRACTS AWARDED\* SEVENTH FEDERAL RESERVE DISTRICT

Period	Total Contracts	Residential Contracts
July 1937	\$52,686,300	\$14,965,500
Change from June 1937	-5.1%	-10.1%
Change from July 1936	+7.1%	+42.4%
First seven months of 1937	\$313,453,800	\$89,867,300
Change from same period 1936	+16.2%	+51.1%

\*Data furnished by F. W. Dodge Corporation.

The estimated cost of building permits issued in 103 cities of the Seventh district totaled 26 per cent less in July than a month previous, but exceeded that of July last year by 16 per cent. Declines from June were general among the larger cities as well as the smaller centers, except that a gain was recorded in the aggregate for the smaller cities of Iowa. Exceptions to the increase over a year ago were noted in Milwaukee and the smaller cities of Illinois, Michigan, and Wisconsin. The number of permits issued in July declined 13 per cent from the preceding month, for the district as a whole, but increased 3 per cent over July 1936.

## Merchandising

With the exception of the grocery trade where sales increased, business in reporting lines of wholesale trade in the Seventh district declined between June and July, in accordance with seasonal trend. The dollar volume sold in the current period by electrical supply firms totaled  $1\frac{1}{2}$  per cent smaller than a month earlier, hardware sales were lower by 4 per cent, and drug sales fell off 6 per cent, the decreases comparing with those of  $6\frac{1}{2}$ , 11, and 5 per cent, respectively, in the 1927-36 average for July. Grocery sales expanded 9 per cent over June, in contrast to a decline of  $1\frac{1}{2}$  per cent in the ten-year average, but aggregated 5 per cent below the volume sold in July last year when an increase of better than 20 per cent had been recorded over the preceding month. Gains over a year ago in drugs and electrical supplies were smaller than in a similar comparison for June. Cumulative data for the first seven months of 1937 show that sales exceeded those in the same period of 1936 by 6 per cent in groceries, 8 per cent in drugs, 23 per cent in hardware, and 60 per cent in electrical supplies. Stocks continued to be much above the level of a year ago.

The decline of 28 per cent in July from June in Seventh district department store trade was about seasonal in

### DEPARTMENT STORE TRADE IN JULY 1937

Locality	Per Cent Change July 1937 from July 1936		Per Cent Change First Seven Months 1937 from Same Period 1936	Ratio of July Collections to Accounts Outstanding End of June	
	Net Sales	Stocks End of Month	Net Sales	1937	1936
Chicago	+4.6	+18.2	+13.7	31.5	29.8
Detroit	+12.9	+14.9	+15.3	43.9	46.6
Milwaukee	+10.3	+14.5	+14.8	38.9	40.2
Other Cities	+9.2	+15.6	+11.2	34.4	34.0
7th District	+7.9	+16.4	+13.7	37.9	38.4

### WHOLESALE TRADE IN JULY 1937

Commodity	Per Cent Change from Same Month Last Year				Ratio of Accounts Outstanding to Net Sales
	Net Sales	Stocks	Accounts Outstanding	Collections	
Groceries	-5.1	+15.0	-5.3	+3.4	68.8
Hardware	+19.9	+41.8	+16.6	+19.8	160.3
Drugs	+4.5	+12.9	...	...	...
Electrical Supplies	+31.0	+54.0	+44.8	+39.9	131.1

\*Data furnished by U. S. Department of Commerce.



extent. Chicago, of the larger cities, showed the heaviest recession in sales—32 per cent—while Detroit trade fell off 25 per cent and sales by Milwaukee firms declined 23 per cent; the aggregate for stores in smaller cities decreased 25 per cent in the period. The gain of 8 per cent in sales volume over last July was the smallest in the yearly comparison so far this year. It will be noted in the table that Chicago trade recorded an increase of only 5 per cent over a year ago. There was a further reduction of 4 per cent in stocks between the close of June and July 31, but on the latter date they exceeded those of a year earlier by 16 per cent. For the second successive month, ratios of collections to accounts outstanding were lower than in the corresponding period of 1936.

Seasonal dullness prevailed during July in the retail shoe trade, sales of reporting dealers and department stores falling off 38 per cent in the period, which decline compares with one of 35 per cent in the 1927-36 July average. However, the dollar volume sold exceeded that of July a

year ago by 8 per cent and sales for 1937 through July totaled 12 per cent heavier than in the first seven months of 1936. Although stocks declined 8 per cent between June 30 and the end of July, they exceeded those at the same time last year by 18 per cent.

The retail furniture trade likewise continued to follow a seasonal trend in July, as sales of furniture and house-furnishings by dealers and department stores totaled 18½ per cent below those of the preceding month, the drop being slightly less than in the 1927-36 average for July. Sales by dealers fell off 23 per cent in the period, while those by department stores declined 17 per cent. As compared with last July, sales in the current period were 11 per cent larger, with dealers recording a gain of but 4 per cent and department stores an increase of 13 per cent. Stocks declined only one per cent in July and at the close of the month totaled 27½ per cent heavier than on July 31, 1936.

### ANNOUNCEMENT

A new booklet recently prepared and entitled "Federal Reserve Bank of Chicago" has met with such widespread demand that the bank is assured of a distribution of at least 150,000 copies through selected lists furnished by member banks in the Seventh Federal Reserve district. This 32-page pamphlet discusses briefly the System as a whole and then proceeds to describe in simple non-technical language the Federal Reserve Bank of Chicago, who

controls the institution, what district it serves, and in what manner operations as discussed in detail enter into the economic well-being of those engaged in trade, manufacturing, and agriculture in the area. Interested persons who may have been unintentionally overlooked in the present distribution of the pamphlet can obtain a copy thereof by making a request directly to the Federal Reserve Bank of Chicago.

## MONTHLY BUSINESS INDEXES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

(Index numbers express a comparison of unit or dollar volume for the months indicated, using the monthly average for 1923-24-25 as a base, unless otherwise indicated. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following month. Data refer to the Seventh Federal Reserve district unless otherwise noted.)

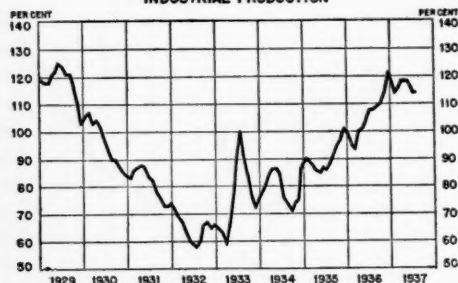
	No. of Firms	July 1937	June 1937	May 1937	Apr. 1937	Mar. 1937	Feb. 1937	July 1936	June 1936	May 1936	Apr. 1936	Mar. 1936	Feb. 1936
<b>Meat Packing—(U. S.)—</b>													
Sales (in dollars).....	45	103	99	100	96	95	92	91	91	86	85	81	83
<b>Casting Foundries—</b>													
Shipments:													
Steel—In Dollars.....	12	111	125	109	119	124	104	77	74	64	59	51	46
In Tons.....	12	107	122	108	123	136	114	85	80	63	60	50	46
Malleable—In Dollars.....	21	85	89	80	85	88	74	53	56	56	61	59	49
In Tons.....	21	80	109	102	112	122	103	77	82	81	89	88	73
<b>Stoves and Furnaces—</b>													
Shipments (in dollars).....	9	138	161	193	205	180	131	143	158	153	143	139	113
<b>Furniture—</b>													
Orders (in dollars).....	12	94	67	78	81	94	74	100	60	67	62	62	45
Shipments (in dollars).....	12	66	72	78	92	102	85	65	61	59	64	65	57
<b>Output of Butter by Creameries—</b>													
Production.....	59	132	149	131	90	80	70	114	145	140	89	87	82
Sales.....	61	133	144	124	100	98	90	111	134	120	99	88	89
<b>Wholesale Trade—</b>													
Net Sales (in dollars):													
Groceries.....	27	77	72	66	70	72	60	83	68	63	65	61	59
Hardware.....	11	108	112	107	108	101	70	90	94	102	88	77	49
Drugs.....	13	79	85	74	82	86	77	74	75	75	77	79	69
<b>Retail Trade (Dept. Stores)—</b>													
Net Sales (in dollars):													
Chicago.....	29	67	97	95	93	100	76	63	87	87	84	79	68
Detroit.....	6	84	111	118	117	113	93	74	96	103	106	93	79
Milwaukee.....	5	76	97	101	102	103	76	68	87	90	93	83	67
Other Cities.....	44	67	90	96	90	96	70	62	82	88	84	81	62
Seventh District—Unadjusted.....	84	71	98	100	97	102	78	65	88	90	89	82	69
Adjusted.....	84	98	100	99	98	104	97	91	89	90	86	89	86
<b>Automobile Production—(U. S.)—</b>													
Passenger Cars.....	123	140	145	150	138	101		127	128	131	142	117	77
Trucks.....	209	228	243	256	240	179		183	206	201	229	207	168
<b>Building Construction—</b>													
Contracts Awarded (in dollars):													
Residential.....	51	87	40	52	52	28		36	43	40	35	25	10
Total.....	77	81	55	69	69	42		72	58	61	54	56	34
<b>Pig Iron Production*—</b>													
Illinois and Indiana.....	127	118	133	130	127	123		101	101	100	94	81	75

\*Average daily production.

# NATIONAL SUMMARY OF BUSINESS CONDITIONS

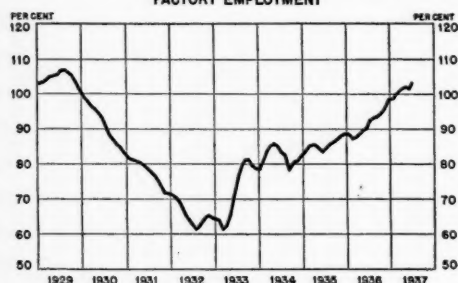
(By the Board of Governors of the Federal Reserve System)

## INDUSTRIAL PRODUCTION



Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1929 to July 1937.

## FACTORY EMPLOYMENT



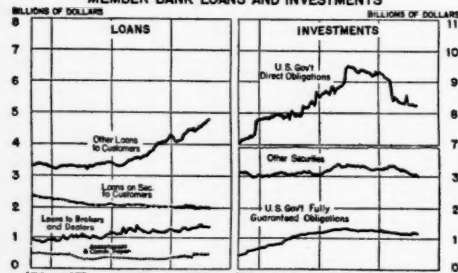
Index of number employed, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1929 to July 1937.

## WHOLESALE PRICES



Index compiled by the United States Bureau of Labor Statistics, 1926=100. By months, 1929 to 1931; by weeks, 1932 to date. Latest figure is for week ending August 14, 1937.

## MEMBER BANK LOANS AND INVESTMENTS



Wednesday figures for reporting member banks in 101 leading cities. September 5, 1934, to August 18, 1937. Loans on real estate and loans to banks excluded.

**T**OTAL volume of industrial production and distribution of commodities to consumers showed little change from June to July, when allowance is made for the usual summer declines.

## PRODUCTION AND EMPLOYMENT

The Board's seasonally adjusted index of industrial production was 114 per cent of the 1923-1925 average in July, the same as in June and 4 points lower than in March, April, and May. At steel mills, where output in June had been curtailed by strikes, activity increased considerably in the early part of July and was maintained at the higher level between the middle of July and the third week of August. Lumber production also increased in July, while output of plate glass showed a substantial decrease. Automobile assemblies declined seasonally. Output of nondurable manufactures decreased considerably, owing largely to a marked decline in activity at cotton and woolen textile mills. Meat packing also declined, while flour milling and sugar refining increased. At mines, output of anthracite was reduced in July, while output of most other minerals showed little change.

Construction contracts awarded, as reported by the F. W. Dodge Corporation, were maintained in July at the level reached in June. Non-residential construction expanded further, reflecting principally a large volume of awards for iron and steel plants and for railroad projects. Residential building showed a seasonal decline.

Factory employment increased somewhat from the middle of June to the middle of July, when a decline is usual, and factory payrolls decreased less than seasonally. The largest increases in employment were in the steel industry and in the food industries, particularly at canning factories. Other manufacturing industries as a group showed somewhat less than the usual seasonal decline.

## AGRICULTURE

A cotton crop of 15,593,000 bales, representing an increase of 3,200,000 bales over last season, was forecast by the Department of Agriculture on the basis of August 1 conditions. Official estimates indicate that other major crops will be considerably larger than last season and about equal to the average for 1928-1932. Preliminary estimates by the Department of Agriculture indicate that cash farm income, including Government payments, will total \$9,000,000,000 for the calendar year 1937, an increase of 14 per cent over 1936.

## DISTRIBUTION

Distribution of commodities to consumers in July continued at the level of other recent months, when allowance is made for the usual summer decline. Sales at department stores and variety stores showed slightly less than the seasonal decrease in July, while mail-order sales declined somewhat more than seasonally. Freight-car loadings increased, reflecting in part larger shipments of grains and forest products.

## COMMODITY PRICES

From the middle of July to the third week of August, prices of grains and cotton declined substantially, while livestock and meats showed a further increase. Automobile prices were raised by most producers, carpet prices advanced, and there were increases in several industrial raw materials, including hides, zinc, lead, and steel scrap. Cotton goods and rubber declined somewhat.

## BANK CREDIT

From the middle of July to August 4, excess reserves of member banks were sharply reduced from \$960,000,000 to \$700,000,000, but subsequently they increased to \$780,000,000 on August 18. These changes in member bank reserves reflected principally fluctuations in the volume of Treasury deposits at Federal Reserve banks, together with a seasonal increase in money in circulation. Excess reserves at New York City banks declined from \$230,000,000 to about \$40,000,000 and subsequently increased to \$130,000,000.

Total loans and investments of reporting member banks increased somewhat during the four weeks ending August 18, reflecting principally an increase of \$150,000,000 in commercial loans offset in part by a further decline in holdings of United States Government obligations, principally at New York City banks. The growth in commercial loans occurred both in New York City and in other cities and included the purchase by banks of a large portion of the \$60,000,000 of 9-month notes sold by the Commodity Credit Corporation on August 2.

United States Government deposits at reporting banks increased during the period, reflecting purchases by banks of Treasury bills on a book-credit basis. Bankers' balances and other demand deposits showed further declines at New York City banks.

## MONEY RATES

Rates on Treasury bills declined slightly after the middle of July, and open-market yields on Treasury notes and bonds also declined until early in August, but later there was a rise in yields. In the latter part of August discount rates were reduced from 2 per cent to 1½ per cent at the Federal Reserve banks of Atlanta, Chicago, and Minneapolis. The 2 per cent rates had been in effect since early in 1935.



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